

Senate File 169 - Introduced

SENATE FILE 169

BY SCHOENJAHN

A BILL FOR

1 An Act relating to the family farm property tax credit by
2 providing for eligible entities and including effective date
3 and applicability provisions.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 425A.2, subsection 4, Code 2011, is
2 amended by adding the following new paragraphs:

3 NEW PARAGRAPH. *Od.* If the owner is a family farm limited
4 liability company, a family member who is a member of the
5 family farm limited liability company or the member's spouse.

6 NEW PARAGRAPH. *Oe.* If the owner is an authorized limited
7 liability company, a member who holds at least fifty-one
8 percent of all membership interests in the authorized limited
9 liability company, or the member's spouse.

10 NEW PARAGRAPH. *Of.* If the owner is an individual who leases
11 the tract to a family farm limited liability company, a member
12 of the family farm limited liability company if the combined
13 interests of the family farm limited liability company held
14 by the owner of the tract and persons related to the owner as
15 enumerated in paragraph "a" is equal to at least fifty-one
16 percent of the interests of the family farm limited liability
17 company.

18 Sec. 2. Section 425A.2, subsection 6, paragraph f, Code
19 2011, is amended to read as follows:

20 *f.* A family farm corporation ~~or~~, family farm limited
21 liability company, authorized farm corporation, ~~as both are or~~
22 authorized limited liability company, as defined in section
23 9H.1, which owns the agricultural land.

24 Sec. 3. EFFECTIVE DATE AND APPLICABILITY. This Act takes
25 effect January 1, 2012, and applies to family farm limited
26 liability company and authorized limited liability company tax
27 credit claims filed on or after that date.

28 EXPLANATION

29 This bill amends Code chapter 425A which creates a family
30 farm tax credit which benefits an owner of agricultural land
31 located in a school district in which the levy for its general
32 school fund exceeds \$5.40 per thousand dollars of assessed
33 value. There are two general requirements. First, the owner
34 must be an individual or an eligible corporate entity. Second,
35 the agricultural land must be farmed by a "designated person"

1 who is limited to the owner or a person related to the owner.

2 OWNERSHIP. The bill increases the number of eligible
3 corporate entities entitled to claim the tax credit. Currently
4 the tax credit can be claimed by a family farm corporation or
5 an authorized farm corporation which are both exempt from the
6 provisions of Code chapter 9H, prohibiting corporate entities
7 from holding agricultural land.

8 CONDITIONS. The bill provides that a family farm limited
9 liability company must comply with the same conditions as a
10 family farm corporation. It must be founded for the purpose
11 of farming and the ownership of agricultural land; a majority
12 of the members must be related; all the members must be
13 individuals, or acting in a fiduciary capacity for individuals;
14 and 60 percent of its gross revenues over the last three years
15 must come from farming. An authorized limited liability
16 company must comply with the same conditions as an authorized
17 farm corporation. It also must be founded for the purpose of
18 farming and the ownership of agricultural land; there cannot be
19 more than 25 members who must be individuals or persons acting
20 in a fiduciary capacity for individuals; and it cannot hold
21 more than 1,500 acres of agricultural land.

22 RESTRICTION ON LEASES. Code chapter 425A provides that an
23 owner cannot qualify for the tax credit if the owner leases
24 the agricultural land to another person. One exception
25 applies when the owner is also a shareholder of a family farm
26 corporation and leases the land to that entity. The bill
27 provides that the same exception applies to an owner who is
28 also a member of a family farm limited liability company. The
29 owner leasing the agricultural land to a family farm limited
30 liability company cannot qualify for the tax credit, unless a
31 designated person is actually farming the agricultural land,
32 and 51 percent or more of the total membership interest in the
33 family farm limited liability company is held by the owner or
34 the owner's relatives.

35 EFFECTIVE DATE. The bill takes effect January 1, 2012,

1 and applies to a family farm limited liability company and
2 authorized limited liability company tax credit filed on or
3 after that date.